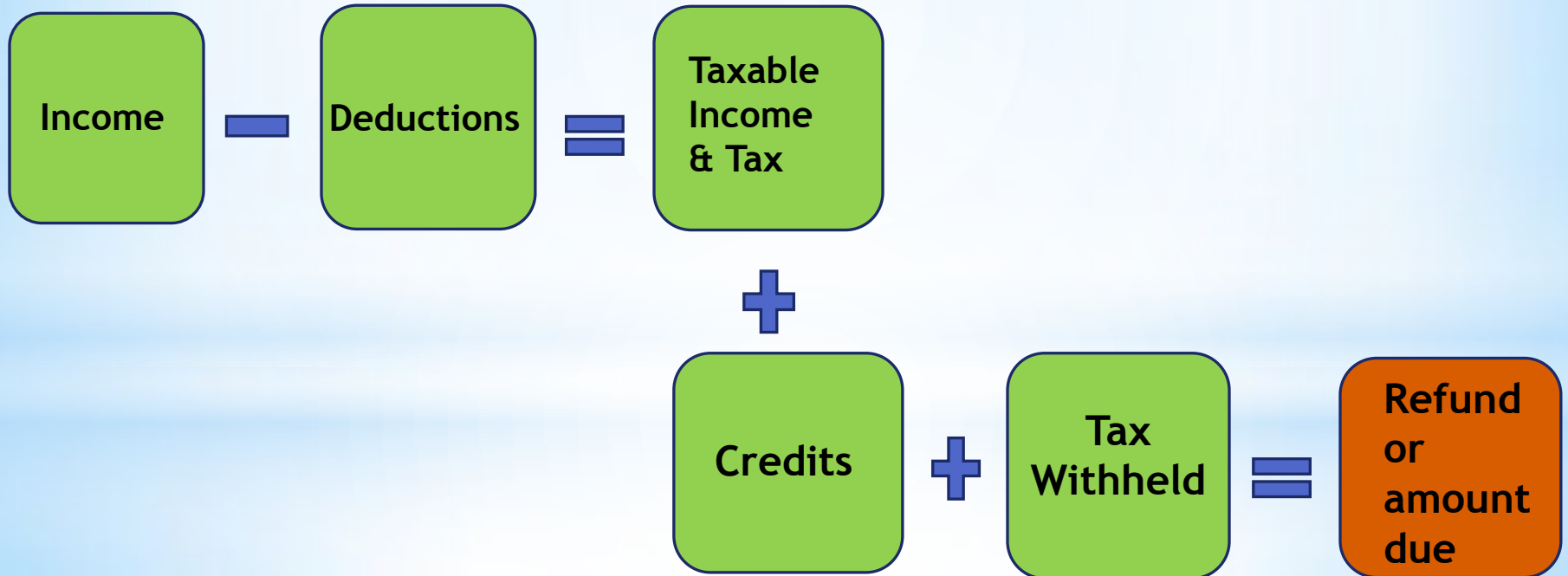


Volunteer Income Tax Assistance Part 2:

**Starting the tax return, exemptions,
and filing status**



The Tax Return - the Form 1040 in a nutshell



The Tax Return

Get to know the 1040 page one & two

Form	1040	Department of the Treasury—Internal Revenue Service (99)	2013	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
For the year Jan. 1–Dec. 31, 2013, or other tax year beginning _____, 2013, ending _____, 20_____					See separate instructions.
Your first name and initial		Last name		Your social security number	
If a joint return, spouse's first name and initial		Last name		Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.	▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).					
Foreign country name		Foreign province/state/county		Foreign postal code	
Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse					
Filing Status	Check only one box.				
	1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly (even if only one had income) 3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶ 4 <input type="checkbox"/> Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child				
Exemptions	6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a b <input type="checkbox"/> Spouse				
	c Dependents:				Boxes checked on 6a and 6b No. of children on 6c who: • lived with you • did not live with you due to divorce or separation (see instructions) Dependents on 6c not entered above Add numbers on lines above ▶
	(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	
				(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)	
	If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>				
	d Total number of exemptions claimed				

Client's Basic Data

From the client intake and interview form

The screenshot shows the TaxWise Online interface. The browser address bar displays the URL: <https://twnonline.taxwise.com/Ajax/ViewReturn.aspx?id=6a69b3c9-2ed2-42b8-b052-0b29343dd0f2#formKey=US.US.1040-0.en-US.1>. The page title is "TaxWise Online : Main Info...". The main content area is titled "Main Information Sheet" for the year "2014".

Refund Monitor
SEAN GRAHAM
Current AGI: \$0
Current Refund
[Check Return Status](#)

Loaded Forms
Add Print Form Delete

US

This return can be filed on Form

Check form you are using: 1040 1040A 1040EZ 1040PR 1040NR 1040NREZ

Check one: Spanish forms on the screen and printed. Spanish forms printed only.

Sal.	Your first name	Initial	Last name	Suffix	Your SSN
<input type="text"/>	<input type="text" value="SEAN"/>	<input type="text" value="S"/>	<input type="text" value="GRAHAM"/>	<input type="text"/>	<input type="text" value="280-44-4444"/>

If filing a **JOINT** return, enter your spouse's

Sal.	First name	Initial	Last name, if different from yours	Spouse's SSN
<input type="text"/>	<input type="text" value="STACEY"/>	<input type="text" value="A"/>	<input type="text" value="GRAHAM"/>	<input type="text" value="281-44-4444"/>

Mailing address

Name line 2. Use % for care of

Present home address

Zip code, city, and state

Taxpayer's email address

MI

- MI 1040 Pg1
- MI 1040 Pg 2
- MI Sch 1 Pg 1
- MI Sch 1 Pg 2

The bottom of the screen shows the Windows taskbar with the date and time: 10:21 AM 7/30/2015.

Filing Status

Filing Status

Determines eligibility for and amounts of Tax deductions (Standard Deduction amount)

Tax credits

Tax rates

Etc.

Depends on marital status As of December 31st, 2015 **Where does it show how to determine a tax filer's Filing Status?**

Filing Status

5 Filing Statuses to Choose from

For married couples MFJ:

- Married Filing Jointly
- MFS: Married Filing Separately

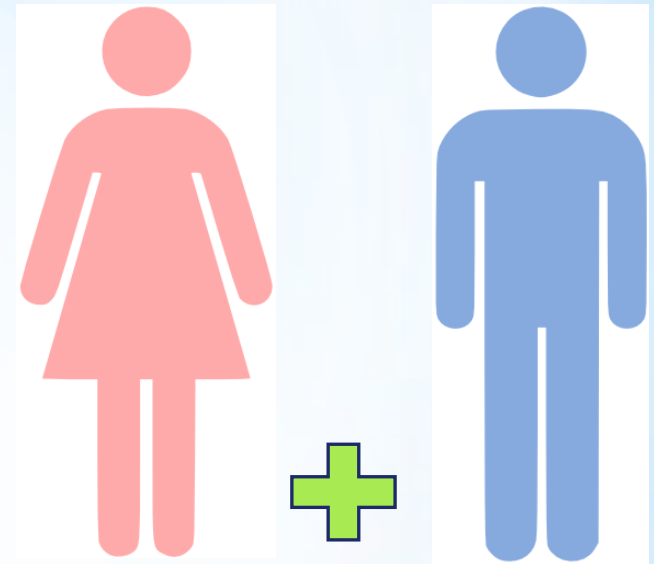
For singles

- Single
- HOH: Head of Household
- QW: Qualifying Widow(er)

Filing Status

Married Filing Joint

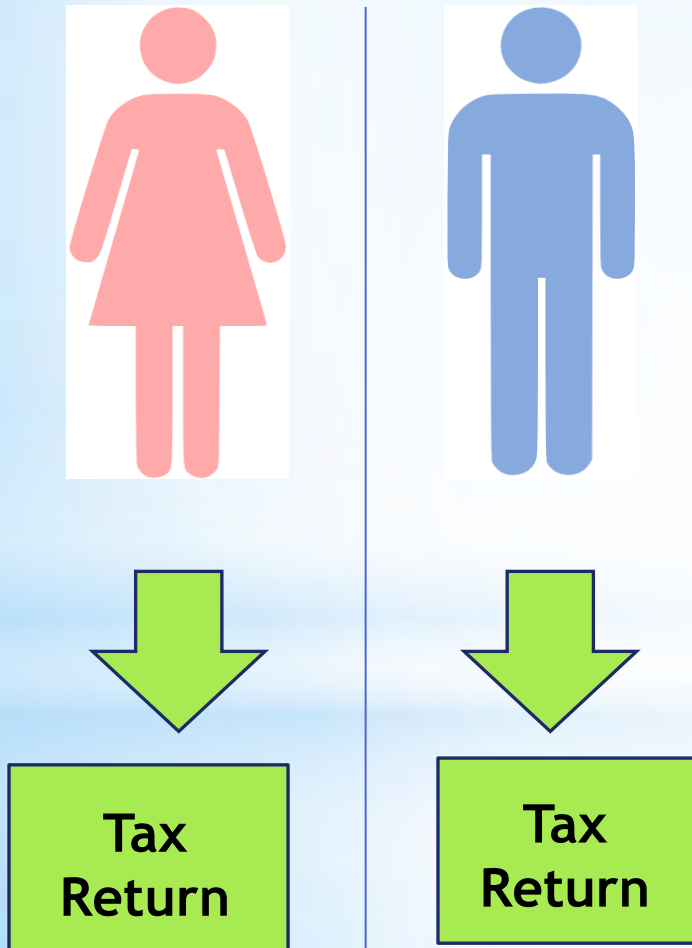
- Married couples file one return
- Combine all income and expenses
- Even if one spouse has no income
- Best tax rates and biggest tax credits
- \$12,600 standard deduction



Tax
Return

Filing Status

Married Filing Separate



- Married couples each file separate returns
- Do not combine income or expense
- Both need to have same filing status*
- **Disadvantage** filing status

Filing Status

You just have to be single:

- Not married last day of the year or if they were not married at all
- Legally divorced in by December 31, 2015
- No dependents or have dependent that is not related to you or does not live with you.
- \$6,300 standard deduction



City, town or post office

Foreign country name

Filing Status
Check only one box.

1 Single

2 Married

3 Married filing jointly (even if you are separated)

6a Yourself

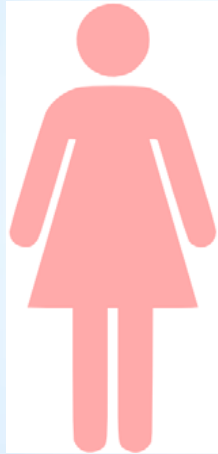
b Spouse

c **Dependents:**

(1) First name Last

Filing Status

Head of Household - Designed for certain single with dependents



Single taxpayer
(can be married if
lived away from
spouse in the last 6
mo. of 2014)

Qualified Dependent
PERSON (relative in
home or parents
outside of home)

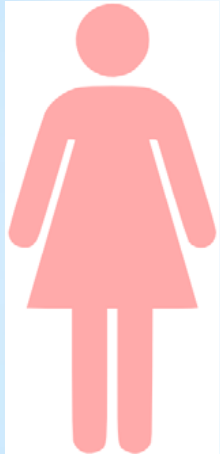
Pays to keep up a
home lived in **with
dependent**

\$9,250 standard deduction

Must pay more than ½ expenses of the home lived in by certain dependents. Most complex.

Filing Status

Qualifying Widower



Single Tax
Payer



Dependent
child



Pays to keep up a
home lived in with
dependent



Widowed in
2013 or 2014
and not
remarried

\$12,600 standard deduction

Must pay more than ½ expenses of the home lived in by certain dependents. Most complex.

Exemptions

Why are Exemptions so important?

- Each person has a dollar amount that is associated with that individual
- That dollar amount = \$4,000 of income subtractions
- Some exemptions can change the tax filer's filing status. Increasing their deductions.
- **Each individual has only one \$4,000 exemption** so, if someone takes it, others cannot take it again. Consequences will cause long delay on tax refund and an investigation.

Exemptions

Personal Exemptions - one for each taxpayer

One for the taxpayer

Taxpayers supported more than 50% by another taxpayer will get “0” exemptions

Another for the taxpayer’s spouse

-If Married Filing Jointly (MFJ)

Dependency Exemptions

Dependents = people that are supported by the taxpayer

Two types of dependents: Qualifying dependent child for dependency

Qualifying dependent relative for dependency



Dependency Exemptions

Qualifying Dependent Child for Dependency

Tax payer cannot be another taxpayer's dependent

Relationship Test: (grand)child, (step)sibling, and any of their descendants.

Age test:

- Younger than tax filer
- Under 19 or under 24 and full-time student or
- Totally or permanently disabled (any age)



Support Test: Child did not provided more 50% of their own support

Residency: Lived with taxpayer for more than 6 months. Temporary absences allowed for school, medical, etc. Child born/died/missing - as if lived entire 2015

The dependent child has NO income limit

Dependency Exemptions

Qualifying Dependent Child **Tie breaker rules**

When a more than one tax filer can claim the Qualifying Dependent Child:

- a. If one tax filer is the parent, they can claim the dependent
- b. If both parents are - the parent with higher AGI is entitled to claim that dependent.
- c. The parent can forfeit the right to the dependent and all tax benefits & let the other tax filer (lower AGI) claim that dependent.

Special Rules for Divorce Decrees

Signed declaration (custodial and non-custodial parents) that overrides all tax law.

Example: Clients may arrange that the parent paying child support be able to claim them as a dependent even though they do not live together.

Extremely rare at VITA sites.

Common Issues with Claiming Exemptions

Dependents filing their own return get **zero** personal exemptions

- Common for college students (Exemption taken by their parent)
- Low-income people supported by another tax file

Separated parents or unmarried parents attempting to claim the same child

Siblings attempting to claim the same parent(s)

Dependent supports themselves more than $\frac{1}{2}$ with earned income or disability/Social security, etc.

Dependency Exemptions: Qualified Dependent Relative

Cannot be claimed by anyone else Income

Limits: Dependent's taxable gross income is less than \$3,950.

Support Test: Taxpayer must provide more than 50% of support.

Residency:

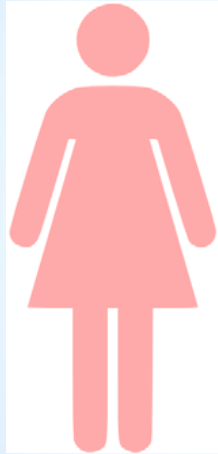
Dependent does not have to live with taxpayer (can even live in Mexico or Canada) if they are related.

- Non-relatives must live with taxpayer for the 12 months.
- Can be any age

**Having a dependent exemption does not automatically change filing status 'Single' into 'Head of Household'.
Refer back to filing status**

Filing Status - Review

Head of Household - Designed for certain single with dependents



Single taxpayer
(can be married if
lived away from
spouse in the last 6
mo. of 2014)

Qualified Dependent
PERSON (relative in
home or parents
outside of home)

Pays to keep up a
home lived in **with
dependent**

\$9,250 standard deduction

Must pay more than ½ expenses of the home lived in by certain dependents. Most complex.

Tax filers with dependents review:

Qualifying Dependent Child

Cannot be a dependent child of another tax payer

Under 19, or under 24 if full-time students for 5 months.

Taxpayer must be related dependent

Child must live with taxpayer at least 6 months

Do not provide more than $\frac{1}{2}$ their own support

Qualifying Dependent Relative - Tax filer provides more than $\frac{1}{2}$ of their support

Dependent's gross income is less than \$3,950

Dependents that are unrelated must live w/ taxpayer 12 months

If related, do not need to live with taxpayer. This includes dependents living in Canada & Mexico

Head of Household

Taxpayer must be related dependent and live together for 6 months

Can be HoH if dependents are parents and do not live with taxpayer

Pays more than $\frac{1}{2}$ of the household expenses

The End, what is next?

- Continue to review filing status and dependency in the 4012. Link and learn information is also available.
- There is an exercise to review tricky filing status questions to go through for more practice
- Watch the next webinar income!
- Following income, you will be able to start looking at the TaxWise software



The End

Thanks for watching!

Questions?

Contact Amanda Grover, Tax Program Coordinator

231-722-7871, ext. 246

231-672-0824

agrover@goodwillwm.org